



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2008 AND ENDING 12/31/2008  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Sovereign-American Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

1016 Collier Center Way, Suite 100  
(No. and Street)

Naples  
(City)

Florida  
(State)

34110  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

R. Laken Mitchell (239) 597-0128

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

John Neal Ingram Ingram & Ingram, LLC  
(Name - if individual, state last, first, middle name)

1635 N. McFarland Blvd Suite 502 Tuscaloosa, AL 35406  
(Address) (City) (State) (Zip Code)

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CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

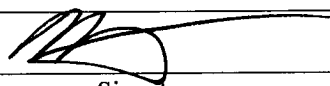
I, R. Laken Mitchell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sovereign-American Securities, Inc., as of December 31, 20 08, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

NOTARY PUBLIC-STATE OF FLORIDA  
Ruth A. O'Brien  
Commission #DD847963  
Expires: JAN. 12, 2010  
BONDED THRU ATLANTIC BONDING CO., INC.



Signature

President

Title



Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# **Sovereign-American Securities, Inc.**

**Audited Financial Statements  
Years Ended December 31, 2008 and 2007**

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**Audited Financial Statements**  
**Years Ended December 31, 2008 and 2007**

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JOHN E. INGRAM, C.P.A.  
JOHN NEAL INGRAM, C.P.A.

**INGRAM & INGRAM, LLC**  
*CERTIFIED PUBLIC ACCOUNTANTS*

Members:  
Alabama Society of Certified Public Accountants  
American Institute of Certified Public Accountants

**February 6, 2009**

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**Independent Auditor's Report**

**To The Stockholders  
Sovereign-American Securities, Inc.  
Naples, Florida**

We have audited the accompanying balance sheet of Sovereign-American Securities, Inc. as of **December 31, 2008 and 2007** and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted this audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Sovereign-American Securities, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Ingram & Ingram, LLC  
Tuscaloosa, Alabama

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2008 and 2007**

<b>ASSETS</b>			
		<b>2008</b>	<b>2007</b>
Current Assets			
Cash in banks		\$ 101,551	\$ 183,769
Prepaid Taxes		<u>1,600</u>	<u>-</u>
<b>Total Assets</b>		<b><u>\$ 103,151</u></b>	<b><u>\$ 183,769</u></b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>			
Current Liabilities		<u>\$ 50</u>	<u>\$ 50</u>
<b>Total Liabilities</b>		<b><u>\$ 50</u></b>	<b><u>\$ 50</u></b>
Stockholders' Equity			
Common Stock		\$ 20	\$ 20
Paid in Capital		53,950	53,950
Retained Earnings		<u>49,131</u>	<u>129,748</u>
<b>Total Stockholders' Equity</b>		<b><u>\$ 103,101</u></b>	<b><u>\$ 183,719</u></b>
<b>Total Liabilities &amp; Stockholders' Equity</b>		<b><u>\$ 103,151</u></b>	<b><u>\$ 183,769</u></b>

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>Income</b>		
Commissions	\$ -	\$ 1,757,700
Interest Income	1,620	2,770
Fees & Other Miscellaneous Income	<u>-</u>	<u>43,150</u>
<b>Total Income</b>	<b><u>\$ 1,620</u></b>	<b><u>\$ 1,803,620</u></b>
 <b>Operating Expenses</b>		
Commissions	\$ -	\$ 1,650,925
Dues, Subscriptions & NASD Filing Fees	10,219	10,451
Shared Overhead Expenses	24,169	40,636
Licenses, Other Fees and Expenses	340	190
Accounting	3,750	2,975
Insurance	832	-
Taxes	6,367	2,096
Rep Admin Processing	-	7,335
Bank Fees	340	222
Penalties	<u>705</u>	<u>-</u>
<b>Total Expenses</b>	<b><u>\$ 46,721</u></b>	<b><u>\$ 1,714,830</u></b>
 <b>Income/(Loss) from Operations</b>	 <b><u>\$ (45,101)</u></b>	 <b><u>\$ 88,790</u></b>

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Common Stock</b>	<b>Additional Contributed Capital</b>	<b>Retained Earnings (Deficit)</b>	<b>Total</b>
Beginning Stockholders' Equity	\$ 20	\$ 53,950	\$ 129,748	\$ 183,719
Net Income/(Loss) for Year			(45,101)	(45,101)
Stockholder Contributions				-
Stockholder Distributions			(35,516)	(35,516)
Ending Stockholders' Equity	<u>\$ 20</u>	<u>\$ 53,950</u>	<u>\$ 49,131</u>	<u>\$ 103,101</u>

See accompanying accountant's audit report and notes to financial statements.



**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income/(Loss)	\$ (45,101)	\$ 88,790
(Increase) in Prepaid Taxes	<u>(1,600)</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u><b>\$ (46,701)</b></u>	<u><b>\$ 88,790</b></u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distributions to Stockholders	<u>(35,516)</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u><b>\$ (35,516)</b></u>	<u><b>\$ -</b></u>
 Net Increase in Cash and Cash Equivalents	(82,217)	88,790
Beginning Cash and Cash Equivalents	<u>183,769</u>	<u>94,979</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><b>\$ 101,551</b></u>	<u><b>\$ 183,769</b></u>

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose: The Company was incorporated on January 4, 1988, under the laws of the state of Tennessee. The corporation was organized to engage generally in the business of acting as underwriting agent for certain privately placed exempt security offerings.
- B. Accounting Method: The Company prepares its financial statements on the accrual basis of accounting whereby revenues are recognized when earned, and expenses are recorded when incurred.
- C. Income Taxes: Income taxes are provided for based on the income reported in the income tax return. The entity is a corporation and has elected S-Status, thereby any tax liability is passed to the shareholders. Any future deferred income taxes will result principally from temporary differences related to depreciation.

**NOTE 2 - SECURITIES INVESTOR PROTECTION CORPORATION**

Sovereign-American Securities, Inc. is a member of the Securities Investor Protection Corporation ("SIPC") pursuant to all filings and registrations related to operating as a securities broker dealer.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**NOTE 4 - RELATED PARTIES**

The company's primary stockholder is also a partner of CMG Surety, LLC, which the company pays administrative overhead reimbursement. For the years ended December 31, 2008 and 2007, these reimbursements were \$24,169 and \$40,636.

See accompanying accountant's report

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**SCHEDULE 1 - COMPUTATION OF NET CAPITAL**  
**DECEMBER 31, 2008**

Total ownership equity from Statement of Financial Condition	\$ 103,101
Deduct: Ownership equity not allowed for net capital	_____ -
Total ownership equity qualified for net capital	<b>\$ 103,101</b>
Deductions and/or charges:	
Non-allowable asset - net receivable	_____ -
Other additions and/or allowable credits	_____ -
Net capital before haircuts on security positions	<b>\$ 103,101</b>
Haircuts on securities	_____ -
<b>NET CAPITAL</b>	<b><u>\$ 103,101</u></b>

Reconciliation with company computation:

Net capital as reported in company's Part II (unaudited) Focus report 12/31/08:	\$ 101,502
Not reflected on Focus report:	
Reclassification of Prepaid Taxes to Current Assets	_____ 1,600
<b>NET CAPITAL</b>	<b><u>\$ 103,101</u></b>

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**SCHEDULE 2 - COMPUTATION OF RESERVE REQUIREMENTS AND**  
**INFORMATION RELATING TO POSSESSION OR CONTROL**  
**REQUIREMENTS UNDER RULE 15c3-3**  
**DECEMBER 31, 2008**

Sovereign-American Securities, Inc. will carry no margin accounts, maintain no securities on hand, promptly transmit all customer funds and will not otherwise hold funds or securities for, or owe money or securities to customers and will effectuate all financial transactions between the broker or dealer and his customers through a special bank account which will be designated as "Special Account for the Exclusive Benefit of Customers of Sovereign-American Securities, Inc.", thereby meeting the conditions of Rule 15c3-3(k)(2)(A) exempting it from the requirements of customer protection Rule 15c3-3.

See accompanying accountant's report.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**SCHEDULE 3 - COMPUTATION OF AGGREGATE INDEBTEDNESS**  
**AND RATIO TO NET CAPITAL**  
**DECEMBER 31, 2008**

Total Indebtedness

AGGREGATE INDEBTEDNESS

\$ 50

Ratio of aggregate indebtedness to net capital:

Aggregate indebtedness	<u>\$ 50</u>
Net capital	\$ 103,101 = N/A

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**SCHEDULE 4 – STATEMENT OF CHANGES IN LIABILITIES**  
**SUBORDINATED TO GENERAL CREDITORS**  
**DECEMBER 31, 2008**

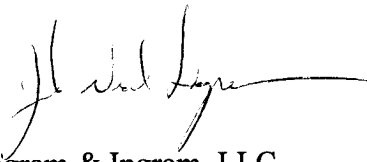
There were no Liabilities subordinated to General Creditors at December 31, 2007 or at December 31, 2008. Therefore, there were no changes in Liabilities subordinated to General Creditors.

**INDEPENDENT AUDITOR'S SUPPLEMENTARY  
REPORT ON INTERNAL ACCOUNTING CONTROL**

**SOVEREIGN-AMERICAN SECURITIES, INC.  
Naples, Florida**

We have examined the financial statements of Sovereign-American Securities, Inc. for the period ending December 31, 2008. As part of our examination, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and Rule 17a-5 of the Securities and Exchange Commission. This study and evaluation included the accounting system and the practices and procedures followed by the client (1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)11. Rule 17a-5 states that the scope of the study and evaluation should be sufficient to provide reasonable assurance that any material weakness existing at the time of my examination would be disclosed. Under generally accepted auditing standards and Rule 17a-5, the purposes of such study and evaluation are to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures necessary for expressing an opinion on the financial statements and to provide a basis for reporting material weaknesses in internal accounting control.

Our study and evaluation of the system of internal accounting control for the period ended December 31, 2008, which was made for the purposes set forth in the above paragraph, disclosed no weaknesses that we believe to be material.

  
Ingram & Ingram, LLC  
Tuscaloosa, Alabama  
February 6, 2009

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